



As I see it

DO THE PRICES OF VARIOUS TYPES OF RESIDENTIAL PROPERTIES GO UP AND DOWN TOGETHER ?

THERE is no great and radical difference between the percentage fluctuations in prices of various types of single-family residences in typical communities which have been well maintained and where no adverse neighborhood influences have existed. I think it would have been rather hard to convince me of the truth of this statement before our organization spent approximately 3 years in compiling actual sales data on all types of single-family residential buildings. Most of us have always assumed that an old and obsolete house would drop in value faster than a more modern building, and undoubtedly this is true if the obsolete building is in an obsolete neighborhood, is not well maintained, and if the new building is in a new neighborhood and is well maintained.

In December 1952 we published our first study of the variations in selling prices of single-family residences. In that bulletin we showed the fluctuations as they had occurred, based on many thousands of actual sales over the period from 1908 to 1952. We described in considerable detail the way the original information was compiled and how the index was computed. In red on this initial bulletin I said that I considered this study one of the most significant we had made in the past 25 years. In this original study, however, we did not analyze properties by types.

Because of my belief in the fundamental nature of this study and its importance as a measure of the change in real estate prices over a considerable period of time we have continued to put major emphasis on similar research in our organization, with our 1955 large wall chart showing our latest revision in these figures.

I have always been suspicious of averages. The old story of the man who drowned wading across a river that had an average depth of 9 inches should be required reading for anyone willing to accept an average without studying the variations in the figures on which it is based.

The need for caution in the use of an average selling price of a single-family residence seemed to me to be particularly necessary in view of the fact that single-

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family houses may vary from a simple cottage to a mansion, may contain rudimentary plumbing and heating equipment or the last word in elaborate bathrooms, with individually controlled temperatures in each room of the house, winter and summer. Might it not be that the fluctuations in the selling prices of these radically different types of buildings had been radically different and that the average selling price shown by our index was a theoretical line which was of little practical value in the study of any individual property?

The first step in trying to analyze our index was made by breaking down sales into four types of properties. No residence has been put into our index unless we could secure a photograph of the building with as much information as was available on lot size, age of the building, date at which alterations had been made, and the extent of the alterations. More than 8,000 photographs were sorted into the following four classifications. The first of these consisted of modern one-story residences, many of these of the ranch type. Our second grouping consisted of good two-story residences, regardless of age. In order to fall in this classification it was necessary that a building be well designed and that it contain very few obsolescent characteristics in its general appearance. Our third classification consisted of one-story and story-and-a-half, old residences. This group included bungalows, cottages, and some Dutch colonials. The fourth group consisted of old two-story residences which were more or less obsolete in design and appearance.

The 12 pictures on the page opposite are taken from our actual files of buildings used in our index, and I think illustrate rather clearly our method of classification. Three pictures of each of the four types described in the paragraph above are given to show the various kinds of buildings grouped in each classification.

The heavy blue line on the charts on the last page of this report shows in each case the trend in selling price changes for each of the four types of properties in comparison with the trend of the composite, shown in red, based on all types of property. While there certainly are some variations in the behavior of the four different types of property, these variations are relatively minor in comparison with the tremendous changes which have come about in the selling prices of all of the various types.

The importance of neighborhood and of proper maintenance cannot be over-emphasized. These factors are apparently more significant in determining relative price fluctuations for various properties than are styles of architecture or general characteristics of design. The poorly designed house loses value as soon as it is built, but apparently if it is in a well-maintained neighborhood and if the property is well maintained, from there on out it will fluctuate pretty much as other properties in the neighborhood will fluctuate, even though the other properties show superior planning. This probably would not be true during a depression when a large oversupply of residential properties exists. The poorly designed under those circumstances would probably drop by greater percentages.



ROY WENZLICK

TREND IN SELLING PRICE CHANGES FOUR TYPES OF RESIDENCES

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